

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 2296-06  
BILL NO.: SCS For SB 729  
SUBJECT: Education, Elementary and Secondary: Charter Schools  
TYPE: Original  
DATE: February 18, 2000

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON STATE FUNDS</b>                  |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED   | FY 2001            | FY 2002            | FY 2003            |
| General Revenue   | (\$158,423)        | (\$103,055)        | (\$105,527)        |
| State School Moneys   | \$0                | \$0                | \$0                |
| Charter School Sponsor Oversight                            | \$0                | \$0                | \$0                |
| <b>Total Estimated Net Effect on <u>All</u> State Funds</b> | <b>(\$158,423)</b> | <b>(\$103,055)</b> | <b>(\$105,527)</b> |

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2001    | FY 2002    | FY 2003    |
|   |            |            |            |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |            |            |            |
|--|------------|------------|------------|
| FUND AFFECTED                              | FY 2001    | FY 2002    | FY 2003    |
| <b>Local Government</b>                    | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services - Division of Family Services** assume they could conduct the background checks for members of the boards of directors with existing resources.

Officials from the **University of Missouri** assume they would incur no additional costs as a result of the proposal.

Officials from **Office of State Courts Administrator, Truman State University** and **Department of Public Safety - Highway Patrol** assume the proposal would result in no fiscal impact to the agencies.

Officials from the **Public School Retirement System and Non-Teacher School Employee Retirement System** stated that due to the unclear language in the proposal, they are uncertain if the proposal would amount to a substantial change as defined in Section 105.660, RSMo.

Officials from the **Joint Committee on Public Employee Retirement** stated the legislation is not a "substantial proposed change" in future plan benefits as defined in Section 105.660(5). Therefore, no actuarial cost statement would be required for this legislation.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume grant distributions through the Charter School Sponsor Oversight Fund are mandated to not exceed \$500,000 for any school year. This fiscal note assumes the maximum amount of \$500,000 will be disbursed. This does not affect the total amount of state aid; rather, it directs some of the moneys into the Charter School Sponsor Oversight Fund. The **Oversight Division** has ranged the grant distributions in the fiscal impact from \$0 to \$500,000, since the grants would be divided among higher education institutions and school districts.

DESE officials assume they would need a Supervisor (1.00 FTE) and a Program Specialist II (1.00 FTE). DESE expects expenses for printing, manual development, travel, informational meetings, visitations, etc. are expected to be significant. The **Oversight Division** assumes the grant program could be administered by the Program Specialist II, with the assistance of existing DESE grant personnel.

DESE officials predict 25 new Charter Schools under this legislation. Board member training is estimated to cost \$316 per board member for 16 hours of training:

7 members X \$316 X 25 new schools = \$55,300 with 25% turnover each year thereafter

The Information Technology impact is estimated to be \$25,000 for developing software.

ASSUMPTION (continued)

DESE officials assume no impact would result to local public school districts. Total payments to higher education institutions and district sponsors associated with charter schools through the Charter School Sponsor Oversight Fund could be up to \$500,000. The maximum amount is assumed for purposes of this fiscal note.

| <u>FISCAL IMPACT - State Government</u>                             | FY 2001<br>(10 Mo.)       | FY 2002                   | FY 2003                   |
|---|---------------------------|---------------------------|---------------------------|
| <b>GENERAL REVENUE FUND</b>   |                           |                           |                           |
| <u>Cost-Department of Elementary and Secondary Education (DESE)</u> |                           |                           |                           |
| Personal Service (1 FTE)  | (\$25,666)                | (\$31,582)                | (\$32,372)                |
| Fringe Benefits   | (\$7,892)                 | (\$9,711)                 | (\$9,954)                 |
| Expense and Equipment   | (\$69,565)                | (\$47,937)                | (\$49,376)                |
| Board Member Training   | <u>(\$55,300)</u>         | <u>(\$13,825)</u>         | <u>(\$13,825)</u>         |
| Total <u>Cost-DESE</u>  | (\$158,423)               | (\$103,055)               | (\$105,527)               |
| <u>Income-Higher Education Institutions</u>                         |                           |                           |                           |
| Grants from DESE  | \$0 to \$500,000          | \$0 to \$500,000          | \$0 to \$500,000          |
| <u>Cost-Higher Education Institutions</u>                           |                           |                           |                           |
| Charter School Costs  | (\$0 to \$500,000)        | (\$0 to \$500,000)        | (\$0 to \$500,000)        |
| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                 | <b><u>(\$158,423)</u></b> | <b><u>(\$103,055)</u></b> | <b><u>(\$105,527)</u></b> |
| <b>STATE SCHOOL MONEYS FUND</b>                                     |                           |                           |                           |
| <u>Savings-DESE</u>   |                           |                           |                           |
| State Aid to Charter Schools  | \$500,000                 | \$500,000                 | \$500,000                 |
| <u>Cost-DESE</u>  |                           |                           |                           |
| Transfer to Charter School Sponsor Oversight Fund                   | <u>(\$500,000)</u>        | <u>(\$500,000)</u>        | <u>(\$500,000)</u>        |
| <b>ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND</b>             | <b><u>\$0</u></b>         | <b><u>\$0</u></b>         | <b><u>\$0</u></b>         |

| <u>FISCAL IMPACT - State Government</u>  | FY 2001<br>(10 Mo.) | FY 2002            | FY 2003            |
|--|---------------------|--------------------|--------------------|
| <b>CHARTER SCHOOL SPONSOR<br/>OVERSIGHT FUND</b>                                 |                     |                    |                    |
| <u>Income-DESE</u>   |                     |                    |                    |
| Transfer from State School Moneys Fund   | \$500,000           | \$500,000          | \$500,000          |
| <u>Cost-DESE</u>   |                     |                    |                    |
| Grants   | <u>(\$500,000)</u>  | <u>(\$500,000)</u> | <u>(\$500,000)</u> |
| <b>ESTIMATED NET EFFECT ON<br/>CHARTER SCHOOL SPONSOR<br/>OVERSIGHT<br/>FUND</b> |                     |                    |                    |
|  | <b><u>\$0</u></b>   | <b><u>\$0</u></b>  | <b><u>\$0</u></b>  |

| <u>FISCAL IMPACT - Local Government</u>  | FY 2001<br>(10 Mo.) | FY 2002            | FY 2003            |
|--|---------------------|--------------------|--------------------|
| <b>COMMUNITY COLLEGES AND<br/>SCHOOL DISTRICTS</b>                             |                     |                    |                    |
| <u>Income-Community Colleges and School<br/>Districts</u>                      |                     |                    |                    |
| Grants from DESE   | \$0 to \$500,000    | \$0to \$500,000    | \$0 to \$500,000   |
| <u>Cost-Community Colleges and School<br/>Districts</u>                        |                     |                    |                    |
| Charter School Costs   | (\$0 to \$500,000)  | (\$0 to \$500,000) | (\$0 to \$500,000) |
| <b>ESTIMATED NET EFFECT ON<br/>COMMUNITY COLLEGES AND<br/>SCHOOL DISTRICTS</b> |                     |                    |                    |
|  | <b><u>\$0</u></b>   | <b><u>\$0</u></b>  | <b><u>\$0</u></b>  |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

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The proposal would allow any school district in which charter schools could be established to allow retired teachers to teach in the district.

The proposal would allow charter schools to be operated in any school district containing territory formerly contained in any school district in which charter schools were authorized to be established.

The percentage of school buildings which may be converted to charter schools would be increased from five percent to ten percent.

The proposal would establish the Charter School Oversight Fund.

The proposal would require DESE to administer a grant-based funding program for reimbursing costs of school districts and higher education institutions sponsoring charter schools. The program would be funded from the Charter School Oversight Fund.

No sponsor would grant or renew a charter without ensuring that a criminal background check and child abuse registry check are conducted for members of the board of directors of the charter schools or the incorporators of the charter schools.

DESE would provide board member training for new members of charter school boards of directors.

A sponsor would timely submit to the State Board of Education all necessary data required by rule.

If the sponsor of a charter school is not a school board, the applicant would be required to provide a copy of the application to the State Board of Education.

The academic performance of resident students of the charter school would be considered to the same extent that the academic performance of other resident students educated by the school district is considered in the Missouri School Improvement Program review of the school district.

One-half of one percent of the amount of state aid paid to a charter school would be remitted to the State Treasurer for deposit in the Charter School Sponsor Oversight Fund, provided that the percentage remitted would be reduced each year by the State Board to the extent necessary to ensure that the total amount remitted in the current school year would equal \$500,000 as nearly as practicable.

DESCRIPTION (Continued)

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Charter school personnel would no longer be required to participate in the school district's retirement system, but could participate at the employee's option.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Social Services  
Department of Public Safety - Highway Patrol  
University of Missouri  
Public School Retirement System  
Non-Teacher School Employee Retirement System  
Joint Committee on Public Employee Retirement  
Truman State University  
Office of State Courts Administrator

NOT RESPONDING: Coordinating Board For Higher Education



Jeanne Jarrett, CPA  
Director  
February 18, 2000